



January 3, 2010

Film industry has boosted Michigan, but Legislature rethinks tax credits

BY KATHERINE YUNG and JOHN GALLAGHER
FREE PRESS BUSINESS WRITERS

Twenty-one months after the nation's leading tax incentives for film and TV producers went into effect, Michigan's efforts to build its version of Hollywood North are getting mixed reviews.

On the bright side, more than 130 applications for movie and TV show projects were approved for the incentives, and 84 projects finished filming already. That's a big leap from the 44 productions that were made in Michigan from 2000 through 2007.

According to the Michigan Film Office, filmmakers spent \$125 million in the state in 2008, creating 2,763 production-related jobs. Spending rose to \$214 million in 2009, but the number of jobs generated last year isn't known yet.

The influx of activity boosted many Michigan companies, brought people back to the area and shined a positive spotlight on a state that's sorely in need of some good buzz.

"The increase in my business is awesome," said Rodney Ouellette, president and co-founder of S&R Event Rental, a Harrison Township company that supplies tables, heaters and other items film crews need.

But not everything has gone smoothly. Debate in Lansing about reducing the tax breaks has hampered the industry's growth.

In particular, plans to build sound stages and production facilities in metro Detroit got off to a slow start. None of the projects was canceled, but the delays generate doubt about whether they'll pan out.

Though Michigan's budding film and TV production industry has already attracted A-list stars such as George Clooney and Robert DeNiro, 2010 could be the year when it really takes off.

Much depends on whether lawmakers in Lansing continue to support the film tax breaks that cover up to 42% of production costs for movies and TV shows filmed in Michigan. The industry's fate in the state also hinges on whether three metro Detroit studios finally get up and running.

The proposed studios haven't opened as quickly as planned because of a tough financing environment and concerns about how long the tax breaks might last. Since the incentives went into effect in April 2008, only one new production studio has been created, 10 West Studios in Manistee. It focuses on small-budget films.

But no one's ready to dismiss the metro Detroit studios yet. Here's a rundown of where each stands:

- Unity Studios, led by Hollywood production executive Jimmy Lifton, is in the midst of teaching 110 students the ins and outs of shooting a feature-length film at its new Lifton Institute for Media Skills in Allen Park. A second class is scheduled to start Feb. 1. In the first half of this year, Unity plans to construct three sound stages and audio and postproduction suites, said Eric Cedo, Unity's director of marketing.

"We're really here to hire people and put people to work," Cedo said. "We have really been blown away by the quality of our students. I'm predicting a huge 2010 as long as the state keeps the incentives in place."

Allen Park Mayor Gary Burtka said the city has been attracting film-related and spin-off businesses since Unity announced in April that it would lease space in a 106-acre office park the city owns.

"Phenomenal," Burtka said when asked about the tax incentives in mid-December. "We have a producer flying in from Los Angeles to meet with us. We went out to Los Angeles last week and we met with several producers and studios. ... The only reason they're talking to us is because of what Lansing has done with the film credit. This is all new business."

- Raleigh Michigan Studios has repeatedly delayed plans for a groundbreaking ceremony at General Motors' old Centerpoint truck plant and office complex in Pontiac. But Steve Lemberg, the studio's chief financial officer, said in December that he and others are still working to open the facility and just need to "cross the last t's and dot the last i's" in order to be "done with the financing."

"It's just taking a long time," he said, noting that no major investors have pulled out of the project. Referring to the difficult financing environment most businesses are dealing with, Lemberg added, "Life goes slower in the times we are in."

Raleigh is backed by local businessmen A. Alfred Taubman, Linden Nelson and John Rakolta Jr. They partnered with Hollywood's

Raleigh Studios and the talent agency William Morris Endeavor Entertainment.

"We're trying every day to move forward as quickly as we can," Lemberg said. "We're just trying to get everything wrapped up."

- Plans to open the \$86-million Detroit Center Studios, also called Wonderstruck Studios, in the vacant MGM Grand temporary casino in downtown Detroit fell through. But Michele Richards, an executive producer of TV shows and video games, still is hoping to find a space in downtown Detroit for her digital animation and visual effects studio, said Malinda Jensen, a spokeswoman for the Detroit Economic Growth Corp.

"In a nutshell, she's still committed to the city and she is looking to secure a site," Jensen said.

Richards could not be reached for comment.

Even if one or more of these studio plans fizzle, other production facilities may be in the works. "We might see some announcements" this year, said Ken Droz, a spokesman for the Michigan Film Office.

Despite the lack of infrastructure, the burst of filmmaking has benefited Michigan businesses from caterers to truck drivers and attorneys. A survey by the Detroit Metro Convention & Visitors Bureau showed that since the film incentives went into effect, the movie industry has generated sales of 70,000 room nights for hotels in metro Detroit and Ann Arbor.

"It was significant," Kim Peterman, general manager of Candlewood Suites in Ann Arbor, said of the movie-related business. "It is absolutely a favorable thing."

The incentives kept S&R Event Rental in Harrison Township from moving to Pennsylvania. The company added eight full-time employees because it's keeping busy supplying movie sets with everything from makeup stations to executive toilets.

For S&R, the film industry has been more demanding than supplying equipment for festivals, but it pays better, said Rodney Ouellette, who started the company with his brother in 1991. "I don't think you could develop an industry that could provide jobs as quick as this did," he said. "It's doing a lot."

Despite this and other stories, the incentives have come under scrutiny in a state making big cuts to education and social services to cope with massive budget deficits. The Michigan Senate recently approved a bill Nancy Cassis, R-Novi, introduced that calls for disclosing more information about the tax breaks' effectiveness.

"I'm not interested in doing away with it," Cassis said of the incentives. "I just want to make sure it's bringing in a return to the state. These are taxpayer dollars."

Cassis and others warn that subsidies for moviemakers come at the expense of many Michigan businesses that are footing the bill. The tax break total was about \$48 million in 2008 and might amount to more than \$75 million in 2009.

Industry experts warn, however, that the incentives debate in Lansing already has cost the state money in terms of lost business. Uncertainty about whether the tax breaks will continue is crippling efforts to finance studios in Michigan and scaring off future productions, they say.

"The longer it drags on, the more harmful it gets," said Steve Wild, president of Grace & Wild Inc., a production services company in Farmington Hills. "The debate sends a negative signal to people considering coming here. It has to be resolved."

Contact KATHERINE YUNG: 313-222-8763 or kyung@freepress.com

Related content

Hollywood comes to Michigan

Thanks to 42% tax credits, filmmakers are flocking to Michigan. Here's a list of some of the movies made in the state during 2009 and their stars:

- "Up in the Air" -- George Clooney, Jason Bateman
- "Betty Ann Waters" -- Hilary Swank, Sam Rockwell
- "Stone" -- Robert DeNiro, Edward Norton
- "The Irishman" -- Val Kilmer, Christopher Walken
- "Capitalism: A Love Story" -- Michael Moore
- "Trust" -- Clive Owen, Catherine Keener
- "Red Dawn" -- Chris Hemsworth, Josh Peck, Adrienne Palicki
- "Cedar Rapids" -- Ed Helms, Sigourney Weaver, John C. Reilly
- "Flipped" -- Madeline Carroll

Source: Michigan Film Office

